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WESTERN REALTY
PROJECTS LTD.

Annual Report 1970

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DIRECTORS AND OFFICERS

Samuel Belzberg
President

William Belzberg
Executive Vice-President

Ira L. Young
Vice-President, Special Projects

Elliot N. Yarmon
Vice-President, Finance

Hyman Belzberg
Director

Michael M. Ryan
Director

S. Joseph Tankoos, Jr.
Director

Daniel Pekarsky
Secretary

Executive Office

#810 - 1075 West Georgia Street
Vancouver 5, B.C.

Transfer Agents

Common Shares (Western Canada)
City Savings & Trust Company
Edmonton, Alberta

Common Shares (Eastern Canada)
Royal Trust Company
Toronto, Ontario

Debentures:
Royal Trust Company
Edmonton, Alberta

Auditors

Collins, Love, Eddis, Valiquette & Barrow
Vancouver, B.C.

Stock Listing

Toronto Stock Exchange
Vancouver Stock Exchange
(ticker symbol WRP)

WESTERN REALTY PROJECTS LTD.

Annual Report 1970

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The Annual General Meeting of Shareholders of Western Realty Projects Ltd. will be held on Thursday, 29 April, 1971, at 9:00 a.m. at the Edmonton Inn, Edmonton, Alberta.



FINANCIAL AND OPERATING HIGHLIGHTS

	1970	1969
Gross Revenues	\$15,745,157	\$11,463,358
Income before Taxes	3,436,226	2,771,143
Net Income from Operations	1,860,910	1,427,012
Earnings per share	29 cents	22 cents
Cash Flow per share	56 cents	49 cents
Land Inventory for Development and Resale (at cost)	14,166,392	10,281,064
Real Estate Investments (at cost less depreciation)	40,349,093	31,154,264
Shareholders Equity	15,212,673	10,728,220
Shares outstanding	6,412,730	6,412,600



Samuel Belzberg, *President*

On behalf of the Directors I am pleased to report that your Company met the challenge of the depressed business climate in 1970 and moved ahead to new records in all areas of operation.

The financial results for the year were highly satisfactory exceeding our long term objectives. Net income from operations after income taxes rose from \$1,427,000 to \$1,861,000. This represents earnings of 29¢ per share compared to 22¢ per share in 1969 and a cash flow of 56¢ per share compared to 49¢ per share. In addition, we had an extraordinary profit of \$2,489,000 or 39¢ per share resulting from the sale of our Animal Food Division. This additional income was a non-recurring item and is meaningful only in that the transaction strengthened our cash position which serves as a base for future real estate operations.

We continued to earn the largest part of our income from development activities. Approximately 58 per cent of our net income after tax was earned from the sale of land and projects developed for resale. Interest earned and after tax income of affiliated companies accounted for 25 per cent of our income and real estate rentals showed an increase and accounted for 17 per cent of income. Appraisals of our land and property holdings show a value of \$87.8 million compared with book value of \$54.5 million. During 1970, through the sales of single family lots and the development of land for our own projects, we used 162 acres, or under 5 per cent of our land bank. By the acquisition of Terra Developers Ltd. we added 740 acres of land in Edmonton. Due to our past purchases and current acqui-

tions we are in the enviable position of having large strategically located tracts of land in the rapidly growing areas of Vancouver, Calgary and Edmonton.

Although during most of 1970, funds were relatively difficult to obtain, we were still able to secure long term financing for a substantial construction program. The total value of projects undertaken last year rose to \$34 million. In 1971 our plans call for a start on new projects in Western Canada having a total value of \$52 million. The majority of these projects are already financed.

Our developments next year will include a major shopping complex in Edmonton, which will have three national department stores as tenants. In Calgary we are constructing a 38 storey office and apartment complex which will be completed in 1972. Other plans being considered for this year include a hotel and a senior citizens residence in metropolitan Vancouver in addition to several small neighbourhood shopping centres in Alberta.

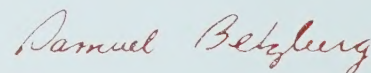
Recognizing current trends in the real estate industry the Company's management philosophies are gradually changing. Rather than holding a large portion of our land for long term appreciation we will be working more aggressively on sub-dividing acreage to accelerate our earnings. In major new purchases we will stress holdings where the property can be sub-divided and sold within a three year period. These policies will result in Western Realty having more single family lots to offer for sale and also having more sites on which to develop apartments, condominiums and small shopping centres. These latter developments will be built with a view towards resale as soon as the earnings potential has been established. We will continue to develop both large community housing schemes and major shopping centres which will be held for long term investment income.

In 1971 our Company for the first time will be evaluating projects in Eastern Canada. We have been fortunate to acquire the services as Directors, of Mr. Elliot N. Yarmon, who is heading up our Eastern Division and Mr. S. Joseph Tankoos, Jr., who is based in New York and is reviewing opportunities for us in the Eastern United States. All future activities of the firm of Tankoos Yarmon Ltd. will be on behalf of Western Realty.

In our two years as a public company, Western Realty Projects has rapidly gained recognition as one of Canada's foremost land and property development organizations. During this time we have improved our organizational structure and have strengthened

our management team by attracting key personnel to new positions that were created. We now have a senior staff of skilled, energetic and dedicated people with excellent experience in all phases of planning, financing and development.

With this base to build from we have set a target of achieving an annual growth rate of 25 per cent in the next few years, which I feel is realistic. Over the past six years our Company has shown an average growth of 35 per cent per year. To date we have accomplished all that we have set out to do and I would sincerely thank all our staff for their dedicated efforts that have made these accomplishments possible.



Samuel Belzberg
President



Front: Samuel Belzberg

*Rear (L to R):
Ira L. Young, S. Joseph Tankoos, Jr., Michael M.
Ryan, William Belzberg, Daniel Pekarsky,
Hyman Belzberg, Elliot N. Yarmon.*

MULTIPLE FAMILY UNITS

A large portion of Western Realty's development program in recent years has been centred on filling the growing need for residential accommodation in Western Canada. With large tracts of land at our disposal, the company is able to design and develop entire subdivisions by servicing single family lots for sale to builders and developing for our own account or for resale, apartments, townhouses and condominiums.

During 1970 major emphasis was again placed on multiple family dwelling with construction completed on 931 units in Vancouver, Calgary and Edmonton. This record volume of construction will be exceeded in 1971 when plans, already approved, call for more than 1,500 new units to be built at a cost exceeding \$25 million.

We are concentrating much of our effort in providing units for families in the low and medium income range. New methods of construction are constantly being investigated to lower unit costs thereby maintaining quality without affecting the overall price.

Edmonton

Largest of the projects in 1970 was the attractive Meadowlark Village townhouse and apartment development close to our Meadowlark regional shopping centre. Schedule for completion early in 1971, this stage contains 428 units in two high-rise apartments and in clusters of two and three storey townhouses. Developed at a cost of \$8 million, the project offers complete recreational living.

Close to downtown Edmonton, Western Realty has a major interest in the prestige Crescent Place Apartment which was completed in 1970 and is the largest in terms of square footage west of Toronto. The three-winged 18-storey structure contains 297 suites and was built at a cost of \$5.8 million.

continued . . .



Calgary

An affiliated company which is managed by Western Realty, opened up its first major subdivision in 1970 in the Glamorgan Heights area of Calgary, servicing and selling a large number of single family lots and undertaking a \$2.6 million townhouse project in Gladstone Park. The first 82 units were completed in January, 1971 and work has since begun on the second stage consisting of 83 townhouses.

A low cost project financed by Central Mortgage and Housing Corporation was started late in the year to provide 131 townhouses in Mount Royal Gardens near the new Mount Royal College. First units in the \$1.3 million project will be ready for renting in April, 1971.

Western Realty also completed construction of 242 units in the Kingsland Gardens development in December at a cost of \$2.9 million.

A major undertaking in 1971 will be construction of the 38-storey Western Centre containing 301 apartment suites. Work commenced in March, 1971.

Vancouver

Your company began work on two large scale condominium-apartment developments on the west coast. Biggest of these is Country Club Estates in Richmond involving a total area of 50 acres. Western Realty is developing 56 condominiums and 330 apartment suites. The condominiums were completed in 1970 and most have been sold. Some 207 of the apartments will be completed by May, 1971 and work is scheduled to start in 1971 on a further 123.

During the past year, 52 condominiums were completed at Woodside Estates in Port Coquitlam on a 21-acre site for which plans call for development of a low-dividend housing project and a small shopping centre.



North Londonderry Apartments, recently completed in Edmonton

38 storey Western Centre, Calgary, now under construction

LAND AND SINGLE FAMILY LOTS

The growth of Western Realty is helped by its ability to acquire and develop a steady supply of desirable land either for residential subdivisions, commercial and industrial development or for resale to other developers.

Over the past decade Western Realty and its predecessor companies has gathered together the largest land bank in Western Canada; despite a record pace of construction our holdings have continued to grow rather than decline.

Your company now follows a policy of studying land availability with a view to acquiring tracts which can be developed, sold and replaced within a three-year period, thereby maintaining a large bank for future projects.

A large portion of the company's land is zoned for residential development and several subdivisions were opened up by your company in 1970. Typically, these were designed and developed as total communities containing single family homes, townhouses or condominiums and apartments with services installed by Western Realty.

Following our normal practice, we sell the single family lots to home builders. In the past year 225 lots have been developed for resale for Western Realty's account.

The biggest community development undertaken during the year was in Glamorgan Heights, southwest Calgary, where 162 single family lots were developed by an affiliated company and a further 131 lots in the Brentwood Heights area of Calgary have been serviced for sale in 1971. In addition, acreage was sold to the City of Calgary for a future school site.

Single family lots were also incorporated into the Richmond Country Club development near Vancouver where 78 were developed and sold in 1970. These single family residences surround a 50-acre site on which condominium and apartment construction is being undertaken by your company.

Western Realty will continue an active program of lot sales in 1971 with present plans calling for subdividing an additional 525 lots.

Houses on right are being constructed on lots sold to private builders in Glamorgan Heights subdivision, Calgary.



COMMERCIAL-OFFICE-INDUSTRIAL

From our inception, we have played a major role in developing much needed office, commercial and industrial space in Western Canada.

A subsidiary company owns and operates the large Meadowlark regional shopping centre in Edmonton and Western Realty has constructed numerous neighbourhood centres and food-markets. We also have several industrial estates in each of our areas of operation.

Development was limited during the past year with the economic recession placing a curb on business expansion. However, we have planned and financed several major projects for 1971.

Largest program in 1970 was the expansion of Meadowlark Shopping Centre providing a new store for our major tenant, Simpsons Sears, and converting the former store into specialty shops. The 120,000 square foot addition was built at a cost of \$1.5 million.

We also contracted a 34,000 square foot addition for the Kensington Safeway store in northwest Edmonton and built the Park Plaza shopping centre in Regina.

First stage of the Parkington Plaza office and apartment development, consisting of a 56,300 square foot office building, was completed in Edmonton in 1970 at a cost of \$1.8 million.

Industrial development consisted of two warehouses constructed at Brighthouse Estates in Richmond and an extension to the Federated Warehouse development in Edmonton.

In 1971 we will commence construction of a 700,000 square foot regional shopping centre in Edmonton to be known as Londonderry Mall; situated in a fully-enclosed two-level mall there will be three major department stores as prime tenants.

We have also announced plans and started work on the 38-storey Western Centre in Calgary which will contain 44,600 square feet of office and commercial space in addition to apartment suites.

Following the successful leasing of our first two industrial buildings at Brighthouse in Richmond, we will start work on a third building in 1971.

Top Left: Renovated interior of Meadowlark Shopping Centre, Edmonton.

Top Right: Warehouse at Brighthouse Industrial Estates, Richmond.

Lower Right: Proposed Londonderry Mall Shopping Centre in Edmonton, construction will begin this Spring.



WESTERN REALTY PROJECTS LTD. and Subsidiary Companies

CONSOLIDATED BALANCE SHEET as at December 31, 1970

(with comparative figures for 1969)

ASSETS	1970	1969 (Note 16)
Cash	\$ 403,224	\$ 1,708,661
Mortgages and Agreements Receivable (Note 3)	6,322,346	3,308,114
Marketable Securities — at cost which approximates market value	376,901	484,131
Land Inventory for Development and Resale — at cost	14,166,392	10,281,064
Prepaid Expenses and Sundry Assets	130,711	186,441
Real Estate Investments — at cost less accumulated depreciation of \$2,183,418 (1969 — \$2,201,704)	40,349,093	31,154,264
Leased Equipment — at residual values	158,200	171,741
Investment in Affiliates (Note 4)	4,721,989	5,481,148
Fixed Assets — at cost less accumulated depreciation of \$90,612 (1969 — \$331,908)	79,332	836,639
Financing Costs less amounts written off	408,130	428,409
	<u>\$67,116,318</u>	<u>\$54,040,612</u>

On Behalf of the Board:

SAMUEL BELZBERG, *Director*

ELLIOT N. YARMON, *Director*

LIABILITIES

	1970	1969 (Note 16)
Bank Indebtedness (Note 5)	\$ 3,757,152	\$ 4,915,650
Accounts Payable and Accrued Charges	3,675,092	4,668,826
Estimated Income Taxes Payable	37,642	—
Tenant Deposits and Deferred Income	334,535	384,922
Mortgages and Agreements Payable on Land Inventory and Real Estate (Note 6)	32,529,217	25,086,152
Loans and Debentures Payable (Note 7)	955,942	1,435,472
Sinking Fund Debentures (Note 8)	7,155,739	5,081,607
Deferred Income Taxes (Note 9)	3,327,667	1,629,939
Minority Interest	130,659	109,824
Capital Stock (Note 10)	2,605,934	2,604,634
Retained Earnings	12,606,739	8,123,586
	<u>\$67,116,318</u>	<u>\$54,040,612</u>

WESTERN REALTY PROJECTS LTD. and Subsidiary Companies
CONSOLIDATED STATEMENT OF INCOME for the year
ended December 31, 1970 (with comparative figures for 1969)

	1970	1969 (Note 16)
Rental Income:	\$3,888,176	\$3,231,744
Less: Property operating expenses	\$ 1,335,538	\$1,115,393
Mortgage interest	1,531,758	1,213,418
Depreciation	<u>255,144</u>	<u>255,428</u>
	<u>3,122,440</u>	<u>2,584,239</u>
Net Rental Income	\$ 765,736	\$ 647,505
Real Estate Sales	\$10,742,724	\$6,950,710
Less: Cost of real estate sales	<u>8,147,314</u>	<u>5,119,584</u>
	<u>2,595,410</u>	<u>1,831,126</u>
Investment and Miscellaneous Income:		
Affiliated companies	\$ 617,161	\$ 385,947
Interest	336,076	279,183
Miscellaneous	<u>161,020</u>	<u>615,774</u>
	<u>1,114,257</u>	<u>1,280,904</u>
	<u>\$4,475,403</u>	<u>\$3,759,535</u>
Expenses:		
General and administrative	\$ 688,455	\$ 668,156
Non-mortgage interest	<u>350,722</u>	<u>320,236</u>
	<u>1,039,177</u>	<u>988,392</u>
Income from Operations	\$3,436,226	\$2,771,143
Income Taxes:		
Current	\$ 38,150	\$ (72,242)
Deferred	<u>1,476,166</u>	<u>1,358,773</u>
	<u>1,514,316</u>	<u>1,286,531</u>
	<u>\$1,921,910</u>	<u>\$1,484,612</u>
Minority Interest	<u>61,000</u>	<u>57,600</u>
Net Income before Extraordinary Items	\$1,860,910	\$1,127,012
Extraordinary items (Note 18)	<u>2,529,844</u>	<u>—</u>
Net Income (Note 14)	<u>\$4,390,754</u>	<u>\$1,427,012</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
for the year ended December 31, 1970
(with comparative figures for 1969)

Opening Balance	\$ 8,123,586	\$6,517,060
Adjustments of Prior Years Income	<u>92,399</u>	<u>179,514</u>
	<u>\$ 8,215,985</u>	<u>\$6,696,574</u>
Net Earnings for the Year	<u>4,390,754</u>	<u>1,427,012</u>
Closing Balance	<u><u>\$12,606,739</u></u>	<u><u>\$8,123,586</u></u>

WESTERN REALTY PROJECTS LTD. and Subsidiary Companies
**CONSOLIDATED STATEMENT OF SOURCE
AND USE OF CASH** for the year ended December 31, 1970
(with comparative figures for 1969)

	1970		1969	
Source of Cash:				
Net earnings for the year	\$ 4,390,754		\$ 1,427,021	
Items not requiring an outlay of cash —				
Depreciation and amortization	295,969		326,734	
Deferred income taxes	<u>1,576,166</u>		<u>1,358,773</u>	
	\$ 6,262,889		\$ 3,112,528	
Issue of shares	—		2,439,600	
Issue of sinking fund debentures	2,075,432		5,050,200	
Proceeds from bank loans, mortgages and agreements for sale, net of capital repayments	6,284,567		6,516,512	
Repayments of advances to affiliates	759,159		(827,188)	
Decrease in marketable securities, financing costs and other	<u>162,960</u>	\$15,545,007	<u>(1,066,563)</u>	\$15,225,089
Use of Cash:				
Real estate investments, land inventory and fixed assets, net of disposals	\$12,584,999		\$16,013,127	
Repayment of Directors' loans	—		1,019,491	
Net increase in other receivables	3,014,232		463,091	
Net decrease in other payables	<u>1,251,213</u>	<u>16,850,444</u>	<u>(3,686,883)</u>	<u>13,808,826</u>
Decrease in Cash		<u>\$ 1,305,437</u>		<u>\$ (1,416,263)</u>
Represented by:				
Decrease in trust cash	\$ 1,300,000		\$ (1,300,000)	
Decrease in other cash	<u>5,437</u>		<u>(116,263)</u>	
	<u>\$ 1,305,437</u>		<u>\$ (1,416,263)</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Principles of Consolidation: The consolidated balance sheet includes the company's proportionate share of assets and liabilities of various partnerships and joint ventures. The consolidated statement of earnings includes the company's proportionate share of income and expenses of the partnerships and joint ventures and the proportionate share of the net earnings of its 50% owned affiliated companies.

Accounting Policies:

- (a) The accounting principles followed by the company and its subsidiary and affiliated companies correspond with the draft recommendations of the Canadian Institute of Chartered Accountants Research Study of Accounting for Real Estate Development Operations. Income from sale of properties is recognized when 15% cash has been received, the sale is unconditional, and management believes the transaction will unquestionably be completed.

Capitalization of Costs —

The company capitalizes the direct carrying costs, such as interest and property taxes pertaining to land. Salaries and expenses of the development personnel attributable to projects are also capitalized.

	Land	1970 Projects	Total	1969 Total
Interest capitalized	\$640,889	\$ 716,062	\$1,356,951	\$ 741,469
Property taxes capitalized	154,984	83,328	238,312	142,401
Overhead expenses capitalized	—	282,011	282,011	119,399
Total	<u>\$795,873</u>	<u>\$1,081,401</u>	<u>\$1,877,274</u>	<u>\$1,003,269</u>

- (c) Depreciation —

The company uses a 5% sinking fund method of recording depreciation on all its properties, based on an estimated useful life of forty years for concrete buildings and twenty-five years for frame buildings. Other assets are depreciated on the declining balance method.

- (d) In 1970 the company changed its policy of allocating subdivision costs from an acreage basis to a market value basis. The effect of this change is to reduce net income for 1970 by \$55,897. If this policy had been followed in 1969, the change in that year's income would not have been material.

3. Mortgages and Agreements Receivable:

	1970	1969
Amount due within one year	\$5,191,528	\$2,599,061
Balance due after one year	1,130,818	709,053
Total	<u>\$6,322,346</u>	<u>\$3,308,114</u>

4. Investments in Affiliates:

	1970	1969
Shares — at cost plus equity increase	\$1,224,205	\$2,167,795
Advances	2,339,144	2,222,215
Debentures and mortgages — at cost	1,158,640	1,091,138
Total	<u>\$4,721,989</u>	<u>\$5,481,148</u>

5. **Bank Indebtedness:** \$3,595,206 of the bank indebtedness is secured by the assignment of the proceeds of mortgage loans, by mortgages on real estate, and by rents and other receivables. \$850,596 (1969 — \$1,981,291) represents operating lines of credit; the remaining \$2,906,556 (1969 — \$2,934,359) represents interim loans on construction for which long-term financing has been arranged.

6. **Mortgages and Agreements Payable:** Interest at an average rate of 8.6% per annum is payable and mortgages are repayable in the following amounts:

Date	Regular Principal Payments	Lump Sum Payments at Maturity	Total
1971	\$ 1,638,287	\$2,780,491	\$ 4,418,778
1972	1,249,900	40,000	1,289,900
1973	1,278,900	12,000	1,290,900
1974	1,104,900	25,000	1,129,900
1975	912,900	516,000	1,428,900
1976	829,900	—	829,900
1977	870,900	—	870,900
1978	862,900	—	862,900
1979	861,900	—	861,900
1980	904,900	—	904,900
Subsequent to 1980	18,640,339	—	18,640,339
Total	<u>\$29,155,726</u>	<u>\$3,373,491</u>	<u>\$32,529,217</u>

	1970	1969
Mortgages on Real Estate Investments	\$28,656,217	\$20,367,367
Mortgages on Land Inventory for Development	<u>3,873,000</u>	<u>4,718,785</u>
Total	<u>\$32,529,217</u>	<u>\$25,086,152</u>

7. Loans and Debentures Payable:

	1970		1969	
	Outstanding	Due Within One Year	Outstanding	Due Within One Year
Loans	\$955,942	\$572,749	\$1,343,472	\$658,930
Debentures	—	—	92,000	48,000
Total	<u>\$955,942</u>	<u>\$572,749</u>	<u>\$1,435,472</u>	<u>\$706,930</u>

8. Sinking Fund Debentures:

	1970	1969
7-3/4% Subordinated Convertible Sinking Fund Debentures, Series A, maturing June 15, 1989 with sinking fund requirements of \$200,000 in each of the years 1979 to 1988 inclusive	\$4,000,000	\$4,000,000
7-3/4% Subordinated Convertible Sinking Fund Debentures, Series B, maturing October 15, 1989 with sinking fund requirements of 5% of the outstanding principal amount in each of the years 1979 to 1988 inclusive	3,091,200	1,050,200
Accrued interest	64,539	31,407
Total	<u>\$7,155,739</u>	<u>\$5,081,607</u>

The Series A and Series B Debentures are convertible at the option of the holder at any time up to the close of business on June 15, 1979 and October 15, 1979 respectively, unless previously redeemed, into fully paid non-assessable common shares without par value of the company at the rate of 100 shares per \$1,000 principal amount of the Series A and Series B Debentures.

9. **Deferred Income Taxes:** Prior to January 1, 1968, the predecessor companies recorded income taxes on a taxes payable basis. For 1970 the company has set up as deferred taxes the amount of \$1,576,166, bringing the total amount so deferred to \$3,327,667 as at December 31, 1970.

Deferred taxes for years prior to 1968 are approximately \$580,000. No provision has been made in the accounts for this amount.

10. Share Capital:

	Shares	Dollars
Authorized — 10,000,000 common shares without nominal or par value		
Issued and Fully Paid —		
Balance, December 31, 1969	6,412,600	\$2,604,634
Shares issued during the year on conversion of Series B Debentures	130	1,300
Balance, December 31, 1970	<u>6,412,730</u>	<u>\$2,605,934</u>
Common Shares Reserved —		Shares
For the conversion rights attaching to the 7-3/4% Subordinated Convertible sinking fund Debentures, Series A, due June 15, 1989		400,000
For Employees: Stock Option Plan		30,000
For the conversion rights attaching to the 7-3/4% Subordinated Convertible Sinking Fund Debentures, Series B, due October 15, 1989		309,120
Total		<u>739,120</u>

On January 1, 1971 the authorized share capital was increased to 20,000,000 shares which may be issued for a maximum or aggregate consideration not in excess of \$60,000,000.

11. **Commitments:** The company has entered into lease agreements for terms of 99 years with annual rental payments of \$115,500, increasing after 25 years to a rate based on a fixed percentage of the fair market value of the land.

12. On January 1, 1971, Western Realty Projects Ltd. and Terra Developers Ltd. amalgamated under the name of Western Realty Projects Ltd. Under the terms of the amalgamation, the shares of Terra Developers Ltd. owned by Western Realty Projects Ltd. prior to amalgamation were cancelled and an additional 28,649 shares of the amalgamated company were issued for the remaining outstanding shares of Terra Developers Ltd. The basis of exchange was seven shares of Terra Developers Ltd. or one share of Western Realty Projects Ltd. for one share of the amalgamated company.

13. **Remuneration of Directors:** Remuneration paid during the year to directors as officers of the company amounted to \$115,000.

Earnings Per Share:

	1970 Excluding Extraordinary Income	1970 Including Extraordinary Income	1969
Earnings	29¢	68¢	22¢
Flow	56¢	98¢	49¢
Per diluted earnings	27¢	63¢	22¢

The diluted earnings per share reflect income that would have been reported if all Series A and Series B Convertible Sinking Fund Debentures been converted when issued, and all stock options been exercised.

Liabilities: The company is the defendant in certain litigation in the opinion of the company's lawyers is either without merit or would not result in any material liability to the company.

The company is contingently liable for outstanding letters of credit and as guarantor of mortgages of affiliated companies totalling approximately \$1,000,000.

The 1969 comparative figures have been reclassified to conform with the

1970 presentation. Gross revenue and costs from the animal food division in 1969 have been reclassified as a net figure in miscellaneous income.

17. Share Options Issued: Share options for 21,000 common shares have been issued to employees on the following basis:

	Shares
Exercisable at \$6.00 per share in five annual instalments of 2,200 shares, expiry dates January 31 each year from 1971 to 1975	11,000
Exercisable at \$4.00 per share in December, 1971	10,000
Total	<u>21,000</u>

As at December 31, 1970, no options had been exercised.

18. Extraordinary Items:

Gain on sale of animal food division — net of income taxes	\$2,489,444
Gain on sale of National Equipment Rentals Ltd.	40,400
Total	<u>\$2,529,844</u>

AUDITORS' REPORT

To the Shareholders of
Western Realty Projects Ltd.

We have examined the consolidated balance sheet of Western Realty Projects Ltd. and its subsidiary companies as at December 31, 1970 and the consolidated statements of retained earnings, earnings and source and use of cash for the year ended December 31, 1970. Our examination included a general review of the

accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of certain subsidiary companies.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source

and use of cash for the year ended December 31, 1970 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change described in Note 2(d) with which we concur.

COLLINS, LOVE, EDDIS, VALIQUETTE, & BARROW,
Chartered Accountants.

Vancouver, B.C.
March 24, 1971.

SEVEN YEAR REVIEW

(\$000's)

	1970 Actual	1969 Actual	1968 Proforma	1967 Proforma	1966 Proforma	1965 Proforma	1964 Proforma
Income:							
Rentals	\$ 3,888	\$ 3,232	\$ 2,488	\$ 2,026	\$ 1,722	\$ 1,269	\$ 1,004
Real Estate sales	10,742	6,951	2,915	2,676	734	350	363
Investment Incomes	953	665	664	613	187	354	350
Rentals and Miscellaneous	161	616	1,006	749	545	379	422
	<u>15,744</u>	<u>11,464</u>	<u>7,073</u>	<u>6,064</u>	<u>3,188</u>	<u>2,352</u>	<u>2,139</u>
Expenses:							
Property Operating Expenses	1,335	1,115	1,156	825	544	265	266
Cost of Real Estate sales	8,147	5,120	2,021	1,853	530	235	329
General and Administrative	688	669	680	639	425	477	427
Depreciation	255	255	440	369	330	230	188
	<u>10,425</u>	<u>7,159</u>	<u>4,297</u>	<u>3,686</u>	<u>1,829</u>	<u>1,207</u>	<u>1,210</u>
Interest on long term debt	1,883	1,534	1,239	1,074	1,008	702	494
	<u>12,308</u>	<u>8,693</u>	<u>5,536</u>	<u>4,760</u>	<u>2,837</u>	<u>1,909</u>	<u>1,704</u>
Earnings before income taxes and minority interest	3,436	2,771	1,537	1,304	351	443	435
Income Taxes: Current (recoverable)	38	(72)	423	152	(35)	31	35
Deferred	1,476	1,359	229	325	156	98	59
Minority Interest	61	57	36	60	42	28	15
	<u>1,575</u>	<u>1,344</u>	<u>688</u>	<u>537</u>	<u>163</u>	<u>157</u>	<u>109</u>
Net earnings from operations	1,861	1,427	849	767	188	286	326
Extraordinary Items	2,530	—	—	—	—	—	—
Net earnings for the period	<u>\$ 4,391</u>	<u>1,427</u>	<u>849</u>	<u>767</u>	<u>188</u>	<u>286</u>	<u>326</u>
Common shares outstanding	6,412,730	6,412,600	—	—	—	—	—

The Company is an amalgamation of sixteen companies under an Amalgamation Agreement which took effect January 1, 1969. The 1964 to 1968 figures are presented for comparative purposes only, and are based on pro-forma consolidated financial statements of the predecessor companies.

WESTERN REALTY PROJECTS LTD.

Details of Land and Property Inventories showing the Corporate Net Interest

	EDMONTON		CALGARY		VANCOUVER	REGINA		Total Corporate Net Interest	WRP Portion of Appraisal Value (\$000's)
	WRP	Affiliates and Subsidiaries	WRP	Affiliates and Subsidiaries	WRP	WRP	Affiliates		
LAND BANK									
Raw Land									
Acreage, 1 January, 1970	699	547	28	1,090	909	48		3,321	
Completed	1	740	5					746	
Under development	21	2	5	36	8			72	
Under development	27		9	32	22			90	
31 December, 1970	<u>652</u>	<u>1,285</u>	<u>19</u>	<u>1,022</u>	<u>879</u>	<u>48</u>		<u>3,905</u>	\$25,747
Commercial Lots									
Under development	137				8			145	
Completed				147	78			225	
Under development	116			81	80			277	
31 December, 1970	<u>21</u>			<u>66</u>	<u>6</u>			<u>93</u>	787
Commercial Lots									
Commercial building lots undeveloped, 31 December, 1970	<u>23</u>		<u>2</u>		<u>5</u>	<u>1</u>		<u>31</u>	1,910
DEVELOPED PROPERTIES									
Residential Rental Units									
Rental units, 1 January, 1970	270		166	100	250	106		892	
Rental units completed	625		195	71	40			931	
Rental units sold	55		84		50			189	
Rental units, 31 December, 1970	<u>840</u>		<u>277</u>	<u>171</u>	<u>240</u>	<u>106</u>		<u>1,634</u>	19,834
Rental units under construction									
31 December, 1970	<u>100</u>			<u>71</u>	<u>167</u>			<u>388</u>	3,000

	EDMONTON		CALGARY		VANCOUVER	REGINA		Total Corporate Net Interest	WRP Portion of Appraisal Value (\$'000's)
	WRP	Affiliates and Subsidiaries	WRP	Affiliates and Subsidiaries	WRP	WRP	Affiliates		
Shopping Centres (in '000 sq. ft.)									
Square feet, 1 January, 1970	167	233	170	152		20	26	768	
Square feet, completed		66	14			30		110	
Square feet sold	55		32			19		106	
Square feet, 31 December, 1970.	<u>112</u>	<u>299</u>	<u>152</u>	<u>152</u>		<u>31</u>	<u>26</u>	<u>772</u>	15,891
Commercial & Industrial (in '000 square feet)									
Square feet, 1 January, 1970	150	35	135	215	66	171	89	861	
Square feet completed	67							67	
Square feet sold						17		17	
Square feet, 31 December, 1970.	<u>217</u>	<u>35</u>	<u>135</u>	<u>215</u>	<u>66</u>	<u>154</u>	<u>89</u>	<u>911</u>	15,236
Hotels & Motels									
Rooms, 1 January and 31 December, 1970		<u>95</u>	<u>8</u>	<u>209</u>				<u>312</u>	4,294
Condominiums									
Units, 1 January, 1970	12							12	
Units completed					80			80	
Units sold	12				17			29	
Units, 31 December, 1970.	<u>—</u>				<u>63</u>			<u>63</u>	1,163
									<u>\$87,862</u>

Of the \$87,862,000 appraisal value, \$43,887,000 of land and properties were appraised by independent outside appraisers in 1969. The remaining land and properties have been appraised by the company's management.

SUBSIDIARY AND AFFILIATED COMPANIES OF WESTERN REALTY PROJECTS LTD.

Subsidiaries:	Western Realty's Percentage Interest	Nature of Operations	Location of Operation
Iriquois Real Estate & Insurance Ltd.	100%	Insurance Agency	Calgary
Leeds Developments Ltd.	66⅔	1 regional shopping centre	Edmonton
Terra Developers Ltd.*	100	740 acres of land including site of Londonderry Mall	Edmonton
Tropical Investments Ltd.	66⅔	Commercial building	Calgary
United Leasing Services Ltd.	60	Office equipment leasing	Edmonton
Affiliates:			
B & B Bowling Ltd.	49¾	Bowling alley	Edmonton
Calistan Investments Ltd.	50	4 shopping centres	Calgary
Chermarc Developments Ltd.	50	3 shopping centres & 346 acres land	Edmonton
The Edmonton Inn Ltd.	30	Hotel operation	Edmonton
Glenwood Holdings Ltd.	50	Commercial building	Edmonton
Grossdale Properties Ltd.	50	124 acres of land	Edmonton
Grosvenor Park Shopping Centre Ltd.	49¾	74 acres of land	Edmonton
Kensington Shopping Centre Ltd.	49¾	1 shopping centre	Edmonton
King Edward Hotel of Edmonton Ltd.	50	Hotel operation	Edmonton
Meadowlark Bowl Ltd.	50	Bowling alley	Edmonton
Murles Building Ltd.	49¾	Commercial building	Edmonton
Raemar Development Ltd.	50	1 shopping centre	Wainwright
Regent Park Shopping Centre (Man.) Ltd.	50	1 shopping centre	Winnipeg
Regina Midtown Centre Limited	50	Commercial building	Regina
Rockyview Investments Ltd.	33⅓	Commercial buildings	Calgary
Tower Building Ltd.	25	Commercial building	Edmonton
United Management Ltd.	50	2,042 acres of land, 343 rental units, 381,600 sq. ft. of commercial property and 235,000 sq. ft. of shopping centres	Calgary
Valleyfield Investments Ltd.	37½	Hotel operation	Edmonton
Valleyview Shopping Centre Ltd.	37½	1 shopping centre	Edmonton
Wayne Realty Ltd.	33⅓	Land	Calgary

*Was amalgamated into Western Realty Projects Ltd. effective January 1, 1971.

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WESTERN REALTY
PROJECTS LTD.

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Report to Shareholders

Six months ending June 30, 1970

DIRECTORS:

Samuel Belzberg, B.Comm., *President*
Vancouver, B.C.

Ira L. Young, *Executive Vice-President*
Vancouver, B.C.

William Belzberg, *Vice-President*
Calgary, Alberta

Hyman Belzberg
Calgary, Alberta

Daniel U. Pekarsky, B.A., L.L.B.
Edmonton, Alberta

Michael M. Ryan, B.Comm.
Vancouver, B.C.

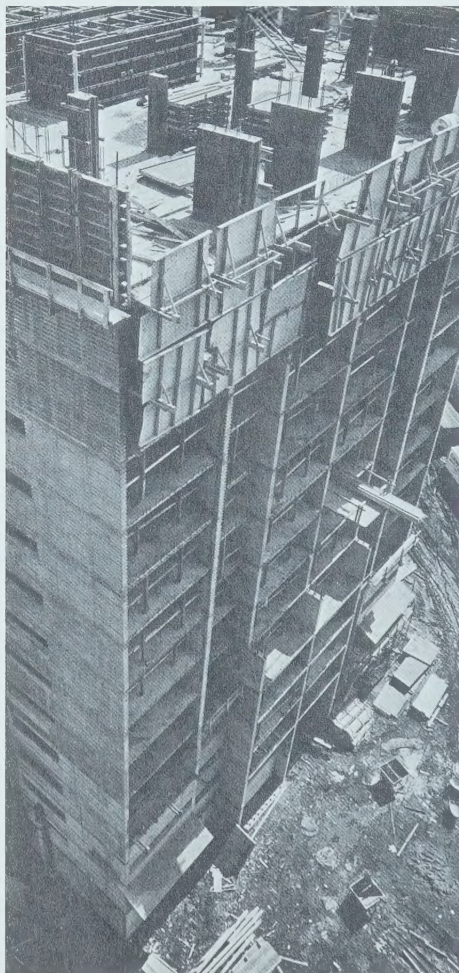
EXECUTIVE OFFICES:

810 - 1075 West Georgia Street
Vancouver, B.C.

REGIONAL OFFICES:

416 McLeod Building
Edmonton, Alberta

336 - 7th Avenue S.W.
Calgary, Alberta



CONSOLIDATED STATEMENT OF EARNINGS (unaudited)
for the six months ended June 30, 1970
(with comparative figures for the prior year)

INCOME										1970	1969
Real Estate rentals	-	-	-	-	-	-	-	-	-	\$ 1,846,989	\$ 1,545,112
Real Estate sales	-	-	-	-	-	-	-	-	-	5,481,031	5,593,236
Animal food sales	-	-	-	-	-	-	-	-	-	—	967,848
Investment income (see note)	-	-	-	-	-	-	-	-	-	428,228	384,231
Equipment rentals and miscellaneous	-	-	-	-	-	-	-	-	-	328,795	462,227
										<u>\$ 8,085,043</u>	<u>\$ 8,952,654</u>
EXPENSES											
Property: Operating and Rental costs	-	-	-	-	-	-	-	-	-	\$ 814,576	\$ 593,149
Cost of Real Estate sales	-	-	-	-	-	-	-	-	-	4,795,333	3,807,979
Cost of Animal Food sales	-	-	-	-	-	-	-	-	-	—	866,025
General and Administrative	-	-	-	-	-	-	-	-	-	275,032	196,478
Provision for Depreciation	-	-	-	-	-	-	-	-	-	170,207	231,697
										<u>6,055,148</u>	<u>5,695,328</u>
Interest	-	-	-	-	-	-	-	-	-	806,629	654,242
										<u>\$ 6,861,777</u>	<u>\$ 6,349,570</u>
Earnings before Income Taxes and Minority interest	-	-	-	-	-	-	-	-	-	\$ 1,223,266	\$ 2,603,084
Current Income Taxes	-	-	-	-	-	-	-	-	-	54,500	487,000
Deferred Income Taxes	-	-	-	-	-	-	-	-	-	426,000	700,000
										<u>\$ 480,500</u>	<u>\$ 1,187,000</u>
										<u>\$ 742,766</u>	<u>\$ 1,416,084</u>
Minority Interest	-	-	-	-	-	-	-	-	-	38,194	45,121
Net Earnings from Operations	-	-	-	-	-	-	-	-	-	\$ 704,572	\$ 1,370,963
Gain on sale of Animal Food Division, net of Income Taxes	-	-	-	-	-	-	-	-	-	2,489,484	—
NET EARNINGS FOR THE PERIOD	-	-	-	-	-	-	-	-	-	<u><u>\$ 3,194,056</u></u>	<u><u>\$ 1,370,963</u></u>
Common Shares Outstanding	-	-	-	-	-	-	-	-	-	6,412,730	6,412,600
Earnings Per Share:											
From Operations	-	-	-	-	-	-	-	-	-	11c	21c
Including Non-Recurring Gain	-	-	-	-	-	-	-	-	-	50c	—
Cash Flow Per Share:											
From Operations	-	-	-	-	-	-	-	-	-	20c	36c
Including Non-Recurring Gain	-	-	-	-	-	-	-	-	-	61c	—

NOTE: Investment income includes the Company's proportionate share of the Net Income of its affiliated Companies.

**CONSOLIDATED STATEMENT OF SOURCE AND USE OF CASH (unaudited)
for the six months ended June 30, 1970**

SOURCE OF CASH

Net earnings for the six months	-	-	-	-	-	-	-	-	-	\$ 3,194,000	
Items not requiring an outlay of cash:											
Depreciation and amortization	-	-	-	-	-	-	-	-	-	170,000	
* Deferred income taxes	-	-	-	-	-	-	-	-	-	526,000	
										<u>3,890,000</u>	
										\$ 3,890,000	
Issue of sinking fund debentures	-	-	-	-	-	-	-	-	-	797,000	
Proceeds from mortgages and agreements for sale, net of capital repayments	-									3,212,000	
Disposal of animal food division assets	-	-	-	-	-	-	-	-	-	368,000	\$ 8,267,000
										<u>368,000</u>	

USE OF CASH

Real Estate investments, land inventory and fixed assets, net of disposals	-									\$ 5,830,000	
Investment in affiliates	-	-	-	-	-	-	-	-	-	971,000	
Increase in marketable securities and accounts receivable	-	-	-							1,572,000	
Reduction of bank loans and payables	-	-	-	-	-	-	-	-	-	771,000	
Other	-	-	-	-	-	-	-	-	-	115,000	\$ 9,259,000
										<u>115,000</u>	
Decrease in Cash:	-	-	-	-	-	-	-	-	-		<u>\$ 992,000</u>

PRESIDENT'S REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, it is a pleasure to report that your Company continued to show excellent progress during the first half of 1970, despite uncertain economic conditions.

As we have stressed in our previous reports, the pattern of earnings for your Company this year will be the reverse of what it was last year. The schedule of real estate development caused most of our high profit real estate sales to occur in the first half of last year and, as a result, the earnings for that period constituted the bulk of earnings for the full year. This year, our schedule calls for a smaller proportion of earnings to be realized in the first half and this should be kept in mind when reviewing our statement.

Excluding a substantial non-recurring item, earnings for the six months ending June 30, 1970 were \$704,572, or 11c per share. This compares with \$1,370,963 for the same period last year, or 21c per share. The extraordinary item in the current statement, resulting from the sale of our animal food division, created an additional profit of \$2,489,484, or 39c a share.

Considering the shift in our pattern of earnings, the trend in operating revenue for the latest six months was most gratifying. Excluding animal food sales from the previous report, the operating revenue showed a slight gain to \$8,085,043.

The gross profit on real estate sales in the latest six months was sharply reduced despite the fact that sales in total held up very well. This results from the fact that the assets of a recently acquired subsidiary, Terra Developers Ltd., included a number of single family homes and lots which your Directors did not feel were sufficiently profitable to warrant inclusion in the Western Realty Portfolio. Most of these were sold in the first half and this created a high cost in real estate sales relative to the value of assets sold. With this disposal nearly completed, we expect to improve substantially on the profitability from this facet of our business in the second half. Acquisition of Terra Developers, which has some 700 acres of residential and commercial land, much of it ready and zoned for development will greatly enhance our land holdings this year.

We have had a number of major developments nearing completion which will be contributing both sales and rental revenues in the second half. Based on results so far, we feel our earnings objectives for the year are virtually assured.

Your Company continues to maintain large land holdings, mainly centred in the three fast-growing cities of Edmonton, Calgary and Vancouver, and has ex-

tensive development programmes both underway and planned for this year.

Large condominium-townhouse and apartment developments are underway in all three cities and will be taken into revenues in the second half. In addition, we have completed a major expansion at the Meadowlark regional shopping centre in Edmonton and all the additional space has been leased, while our Parkington Plaza office and commercial buildings in the same city will be ready for leasing in the second half.

We are particularly pleased that your Company's efforts to fulfil its social obligations in designing and developing modest-income self-owned townhouses has met with Federal Government approval. We have proposed plans for construction of a minimum 300 units in the Vancouver area for which federal funds have now been made available. We expect to secure planning approval for the first 100 of these and to begin construction this year.

Looking to the future, your Directors have established guide lines for the development or sale of any individual piece of property: thus, to continually improve the rate of return on our assets. The real estate market is shifting continually and to take advantage of these trends we propose to dispose of some income producing holdings that we think have reached their ultimate value, and we will accelerate the development of some of our large land holdings.

The immediate outlook for your Company is continued substantial growth. This is only our second year as a public company, yet we have already grown into a strong, well-knit organization with highly capable people in administrative and planning divisions. We have recently obtained listing for our shares on the Toronto Stock Exchange and continue to maintain our listing in Vancouver.

All of our current major developments have long-term financing arranged and bank interim financing has been obtained. We are putting our capital resources to good use.

For the development industry as a whole, the past few months have been very trying, both through unrest in the labour market and through the limitations of available funds and the high cost of raising money. However, there are indications that the market is easing and we do not anticipate any difficulty in Western Realty carrying out its projected programme for 1970. We are, perhaps, fortunate in that we have a large land bank on which to draw, and we do not anticipate the need for equity financing in the foreseeable future.

SAMUEL BELZBERG, *President.*